

March 2, 2010

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp,

Thank you for allowing us the opportunity to comment on the proposed changes to the NCUA's Corporate Credit Union Rule, 12 C.F.R. Part 704. Our brief response will address our primary concerns of how the proposed changes will affect us and our ability to serve our members.

1. Timeline for implementation

Perhaps our biggest comment on the proposed changes has less to do with the changes and more to do with the speed at which the proposed changes would be implemented. The changes seem, by and large, to be born of a knee-jerk reaction to a historically bad economic period. There will be no quick-fix to the problems that led up to this point. Several items must be addressed **before** most of the proposed changes should be enacted:

a) Legacy Assets

The burden of the legacy assets at WesCorp and U.S. Central cannot be overstated. The negative capital levels and continuing write-downs of OTTI will continue to cause the entire credit union movement to deteriorate, perhaps to a level from which we could not recover. To ignore this burden and change the system apart from the legacy assets is dangerous and irresponsible. Legacy assets must be addressed prior to implementing any of the proposed changes to Part 704. NCUA should not act as a barrier but rather work for the collective good of all credit unions.

b) Accounting Issues

The use of OTTI is an issue that needs to be revisited. It distorts not only the value of the assets involved, it distorts the speed at which the change in value occurs. We request an accounting method that lets us reflect the true value of an investment at a given point in time. Yes, we may lose a significant portion of value over the life of an investment but it would be more accurate (and less confusing) to account for the loss at the time the loss occurred, not when it was speculated. Accounting is supposed to be an accurate reporting of financial transactions and resulting balances, not a set of predictions. Again, time is our ally.

We are also concerned that we will never see a return of any portion of the OTTI write-off even if the loss is not as large as originally speculated. Should we pre-pay our collection agency as well since there is a chance some of our loans might go into default in futures years?

c) Collaboration

We feel we need strong leadership with the collaboration of all Corporate Credit Unions to get the best business model moving forward. Would several CUSOs work better with the Natural Person Credit Unions (NPCU) sharing ownership through deposits of working capital and splitting any profits?

d) Board Representation

We do not feel that it is prudent to impose unnecessarily short term restrictions or limitations on individuals serving on Corporate Credit Union Boards. A 6 year term would greatly diminish the amount of time an individual could be most effective as a director. Often a director is still learning his or her role within the board for up to two years and therefore would only be most effective for about 4 years. It would be best to leave a policy of term limits up to the individual Corporate Credit Unions. They would be in the best position to weigh the risk/benefits of term limitations, if any.

2. Payment Systems

Payment services are, of course, a vital interest to smaller NPCUs like us. We rely on our primary Corporate Credit Union to assist us in processing drafts, ACH transactions, etc. We paid our Corporate Credit Union \$103,833.55 last year for our payment system services. It is undesirable for our credit union to receive these services from a bank as we would be at their mercy for pricing and timing. We are pleased that the proposed changes do not affect our Corporate Credit Union's ability to perform these services for us. Yet we are not opposed to several Corporate Credit Unions forming a CUSO to provide these services. The pooled volume of NPCUs is a strength while fragmentation is the enemy.

3. Investment Services

Corporate Credit Unions should retain the ability to perform investments on behalf of NPCUs, albeit with greater oversight and restrictions. Using a Corporate Credit Union as a broker/dealer makes sense in that the brokerage fees would remain in the credit union movement and the investment options would be limited to legal and proper products as defined by NCUA. Also, the investments would be kept on the NPCU's books which would reduce the asset total of the Corporate Credit Union, thus reducing their reserve requirement. The proposed limitations on Corporate Credit Union investment areas seem prudent so that our members' funds are kept relatively safe. It is with these restrictions in mind that we comment on capital requirements:

4. Capital Requirements

The proposed changes to capital requirements seem proper and healthy at first glance. During any normal period of economic history it would make perfect sense to keep a solid amount of capital on hand as a cushion against tumultuous periods like the one we now find ourselves in. However, given the proposed investment restrictions, the reluctance on the part of NPCUs to recapitalize the Corporate Credit Unions, and the heavy burden of legacy assets to deal with, we feel that the proposed capital requirements are unrealistic and/or dangerous to the entire credit union system. Corporate Credit Unions would have to resort to practices including increased fees, lower interest rates offered on investments, and decreased service options to attempt to reach the proposed capital levels in the amount of time allowed. This would make it even more unlikely for NPCUs to recapitalize with corporate which would make the capital levels that much harder to achieve, and on and on. We feel that the levels to which the proposed changes aspire is reasonable; however it is necessary to allow more time to reach those levels. We must move slowly but surely and bear in mind that "haste makes waste."

In summary, while we agree with most of the proposed changes to 12 C.F.R. Part 704 and certainly with the goals that were in mind while drafting these changes, we ask for more time for comments, more time for implementation, and more time to reach the final goals. With the exception of the legacy assets at some institutions we are still a healthy system overall. Given more time for thorough reflection and implementation we feel we can continue to be a healthy system, to the benefit of 90 million members.

Once again thank you for the opportunity to comment on the proposed changes to 12 C.F.R. Part 704.

Respectfully,



Carol Stanley
CEO